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risers. This will be found to be in accord with the commonly accepted definition; but Mr. Hawley defines such a one as an entrepreneur, and narrows down the definition of a speculator to that of one who merely bets on the course of the market. On the basis of this definition he finds it easy to prove that "the speculator has no place at all in a theory of distribution, or, what would be a better name for it, in the theory of productive distribution."

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MUNICIPAL TRADING IN GREAT BRITAIN.

During the last two or three years nothing in Local Administration has been more keenly discussed in England than the question of the limits of municipal enterprise. The constant increase of powers sought and often obtained from Parliament by the English towns has been accompanied among the commercial classes by a growing opposition to certain forms of municipal activity, which are commonly classed as "trading." It has been generally felt that it is time for Parliament to adopt some more definite line of policy than it has hitherto taken, but such a policy is not easily determined upon. On the one side there are the towns, which demand more power of action without the constant necessity of seeking parliamentary authority; on the other side are the trading companies, which ask that the action of the municipalities may be restrained. Consequently, last year a parliamentary Joint Committee of Lords and Commons was appointed, to consider the whole matter, and "to report as to the principles which should govern powers given by Bills and Provisional Orders to municipal and other local authorities, for industrial enterprise within or without the area of their jurisdiction." That Committee, which was fairly representative of political parties, and did not vary greatly from the general average of ability displayed by parliamentary committees, was appointed late in the session; and after sixteen meetings its work was inter-

rupted by the vacation and dissolution. Though four out of the five members of the House of Commons on the Committee survived the general election, the Committee has not been re-appointed. As a result, we have simply the Report of the evidence taken, and an elaborate appendix of papers handed in by various witnesses.

Unfortunately, the Committee does not appear inclined to take a line of its own. The method adopted was to receive evidence of what is, or has been, parliamentary practice, or the general policy of government departments, in regard to powers sought by local authorities; to inquire into what is actually being done by various towns; and to hear criticisms both from those who oppose on general principles and from those who claim that their trades have been directly injured by the competition of the municipalities. The Committee was, in fact, prepared to hear any general or particular propositions which might be advanced, and to discuss them with witnesses. These witnesses fell into three classes. A number of the permanent officials of Parliament and of Government Departments gave evidence as to procedure in the matter of Private Acts, or of Provisional Orders where Private Acts are not required. The case against "municipal trading" was presented by representatives of the Chambers of Commerce, engineering firms, gas companies, and other combinations of manufacturers and traders. On behalf of the towns there were witnesses from nine large municipalities, including the chief English towns and one Scottish (Glasgow), the witnesses being in some cases the chief permanent official, the Town Clerk, and in other cases the Mayor or an Alderman or a Chairman of Committee. The net result is that in the evidence published there is a great mass of information about parliamentary procedure, and about English local government in general and municipal activity in particular. Some extremely useful statistical abstracts, and memoranda upon municipal powers, are also to be found in the appendix. But it is not easy to disentangle any principles; and it hardly seems likely that the Committee, should it be called to continue its labors, will be able to furnish much guidance to perplexed legislators and government officials.

The enterprises in which municipalities chiefly engage at present are the supply of gas, water, electric lighting and power, tramways, abattoirs, piers, and docks, markets, and working-class dwellings, the first four being by far the most important. Various new powers are being sought, especially by the seaside towns. There seems to be a general agreement that the water supply ought always to be in the hands of the local authority, but about everything else controversy rages.

The main question before the Committee was the limit to be placed on "municipal trading," but this involves a number of more or less distinct problems. It should be noted that some of the witnesses for the towns repudiate the use of the term "trading" in this connection, on the ground that, where public convenience is the chief consideration which induces a town council to undertake a particular work, the term "public service" is much more appropriate. And this suggests another matter which gave rise to much discussion,—the question of the allocation of profits. There were some witnesses, including even some representatives of the municipalities, who held that municipalities should not be allowed to make on any enterprise a profit to be devoted to the relief of general rates, but that any surplus should be used, first, for the formation of a reserve and depreciation fund, and, secondly, for the reduction of the price at which the commodity (gas, water, etc.) is supplied. They were able to point to a number of instances where this rule holds in various degrees: *e.g.*, Liverpool, by its Tramways Act, may not use any profit for the relief of general rates before 1912; and Scottish boroughs which take over the gas supply under a general Act, passed some twenty-five years ago, are expressly forbidden to use their profits for any other purpose than the improvement of supply and the reduction of price. A modified form of this restriction is seen at Glasgow, where profits, like the surplus from all corporate property, go to the "Common Good" Fund, which is used for the maintenance of parks, museums, art-galleries, and other institutions which, if the cost had to be met by a rate, might not be provided at all. On the other hand there are a number of cases where the profits are directly applied to the reduction of general rates (Manchester used in this way

£52,000 profit on its gas works last year); and there are cases where, as in the famous scheme inaugurated at Birmingham by Mr. Chamberlain in 1874, the supply of gas or other services has been undertaken avowedly to obtain funds to carry out sanitary and other improvements. Connected with this question is another; namely, whether municipalities should or should not be allowed to trade outside their own boundaries. If they are so permitted, what are to be the relations between them and the local authorities within whose area they trade? Of course, as a mere matter of convenience, small authorities are commonly ready to allow a large town round which they are grouped to conduct enterprises — water, gas, tramways — from which they benefit. And in some cases a positive obligation is laid on the towns. Thus Manchester, which brings its water from the Lake District, is bound under certain circumstances to supply with water such local authorities along the line of the aqueduct as may require it. But in such cases the town is, in relation to the other districts, almost in the position of a private company. Joint control has not been found to work well in most cases; and it is certainly doubtful if a town should be allowed to make a profit, and use it for general purposes, at the expense of its smaller neighbors. But, if the smaller authorities bear no part of the original outlay, it is difficult to allot them any share of the profit. Apparently, they must be content with the additional convenience.

The chief charges brought against “municipal trading” fall into three groups. The first has reference to municipal expenditure, and the constant increase of debt. The outstanding debt of the local authorities of England and Wales was in 1898 £262,000,000 as compared with £92,000,000 in 1875. Of this, however, more than half has been incurred for purposes for which local authorities are bound to provide, and scarcely any part of this could have been avoided. For municipal undertakings like those enumerated above, the corporate towns of England and Wales have incurred a debt of about £83,000,000. But of this about £11,000,000 has been paid off: and it must be remembered that, heavy as the debt is, it has been incurred for reproductive undertakings; that, practically everywhere, the assets exceed the liabilities; and that the op-

eration of the sinking funds is steadily reducing the debt. There seems, then, in this connection no serious ground for alarm.

The second group of charges is concerned with management. There is, it is alleged, no guarantee that municipal monopolies will be any better than other monopolies ; and they may easily be worse. For, in the first place, where a private company has rights in a town,—rights as to opening streets or laying mains,—it is usually controlled to some extent by the local authorities ; but, if the authorities themselves do the work, there is no control. A monopolist company, again, is always faced by the possibility that, unless it does its work properly, it will not have its privileges renewed at the end of its term of years. A town council would be influenced by no such consideration. Then it is argued, chiefly by the representatives of engineering firms, that municipalities are less enterprising than private companies which have to fight for their existence, and that this is one reason why England is so far behind America in the application of electricity to transit. Municipalities will not run risks. Private companies, with the prospect of compulsory sale on unsatisfactory terms before them, are not inclined to incur new and heavy expenditures. Finally, it is said that town councils have quite enough to do as it is. Their members cannot be specialists, and are not competent, have not the leisure, to direct great business enterprises ; and the amount of time required for municipal work prevents many able citizens from seeking seats upon the councils.

In answer to all this the towns can only fall back upon the argument from experience. The free play of competition has not benefited the consumers : companies have simply combined. No service could be much worse than that provided by some of the private monopolist companies ; *e.g.*, the East London Water Company. The incentive to improvement, in the case of a corporation supply, comes from the pressure which rate-payers can bring to bear, and the civic rivalry which exists between many towns, especially in the Midlands. It is true that electrical progress has been slow, but the municipalities have preferred to wait until the experimental stage was passed and definite data secured. A council's tramway

committee, which is sure to contain a fair proportion of business men, is quite as able to conduct a business enterprise as an ordinary board of directors. Like such a board, it controls policy, but leaves details to its expert advisers. And no large town has yet experienced any difficulty in finding numerous and able candidates for seats upon its council.

There are, finally, a number of miscellaneous arguments. There is the charge of unfair competition in subsidiary trades (*e.g.*, the supply of gas stoves and fittings) by municipalities which do not seek primarily a profit, and so can undersell the ordinary manufacturer. Instances of this, however, are not very common. And a more serious argument points to the possible creation of a large class of municipal employees who may combine to dictate a labor policy. The number of employees is relatively to the total electorate quite small, but a possible danger certainly exists in some cases; and some witnesses, including one or two from the towns themselves, favor the disfranchisement of all municipal employees. But so drastic a measure seems out of the question. The real safeguard must be the growth of the municipal spirit.

Though the opponents of "municipal trading" offer these criticisms, and are agreed that the enterprises of the municipalities should be limited, there is little further agreement among them. There are some who are opposed to all municipal services of this kind (except water supply), preferring to leave them to private companies. Others insist only on the profit question already noticed. The opponents have a fairly strong case, so far as criticism is concerned; but, in the main, it is criticism on general principles. In the evidence hitherto given before the committee they have failed to prove that municipal supply is deficient in quality or quantity, or that it is excelled by private supply. In fact, the evidence is the other way. And the allegation that many enterprises are taken up by the towns at the instigation of the permanent officials, who desire more work, and, therefore, higher salaries, is, to say the least, unfortunate.

Taking the evidence as a whole, it is clear that the representatives of the towns were far abler witnesses and had much more definite views. The one principle which they advance is

that of expediency,—the necessity of “municipal housekeeping.” Water is a natural monopoly. Gas, electric lighting, tramways, are monopolies in the sense that there cannot be conveniently two or three systems in the same streets, and the streets should be controlled only by the local authority. Where monopolies exist at all, they should be in the hands of the community. Whatever theories may be advanced, it is perfectly clear that municipal supply equals, and in many cases surpasses, the service of private companies. Very few instances of municipal mismanagement can be produced, and the general standard of administration in the large towns is admittedly very high. The towns are, then, adverse to the establishment of any general principle or limit, save that of expediency, which must be decided according to the special circumstances of each case. They desire a freer hand, by the extension of the system of Provisional Orders, confirmed by a general Act at the end of the session, in place of the much more costly and cumbrous method of Private Acts; and they urge that special authorization from Parliament should be necessary only in new or abnormal cases.

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